



County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
 500 West Temple Street, Room 713, Los Angeles, California 90012
 (213) 974-1101
<http://ceo.lacounty.gov>

Board of Supervisors
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 First District

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SACHI A. HAMAI
 Interim Chief Executive Officer

"To Enrich Lives Through Effective And Caring Service"

July 21, 2015

The Honorable Board of Supervisors
 County of Los Angeles
 383 Kenneth Hahn Hall of Administration
 500 West Temple Street
 Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
 COUNTY OF LOS ANGELES

20 July 21, 2015


 PATRICK OZAWA
 ACTING EXECUTIVE OFFICER

**AUTHORIZATION TO EXTEND CONTRACT NO. 75928 FOR THIRD PARTY ADMINISTRATOR
 MEDICAL MALPRACTICE, HOSPITAL LIABILITY CLAIMS ADMINISTRATION AND LEGAL
 DEFENSE MANAGEMENT SERVICES AND CONTRACT NUMBERS 67609, 67610, AND 67611
 FOR WORKERS' COMPENSATION MEDICAL AND DISABILITY MANAGEMENT AND COST
 CONTAINMENT SERVICES
 (ALL DISTRICTS – 3 VOTES)**

SUBJECT

The recommended action by the Chief Executive Office (CEO) seeks the Board's approval to execute Amendment Seven to extend the term of the current contract for Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services with Sedgwick Claims Management Services (Sedgwick), and to execute Amendment Three to extend the term of the current contracts for Workers' Compensation Medical and Disability Management and Cost Containment Services with CorVel Healthcare Corporation (Corvel), ACS ComplIQ (ACS), and Allied Managed Care, Inc. (Allied), for a period of twelve (12) months, effective January 1, 2016. Upon completion of negotiations, the aforementioned contracts will be terminated for convenience.

IT IS RECOMMENDED THAT THE BOARD:

Approve and instruct the Interim CEO, or her designee, to execute and, if necessary, terminate for convenience, Amendment Seven, substantially similar to Exhibit I, to extend Contract No. 75928 for Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services with Sedgwick for an additional twelve (12) months, beginning January 1, 2016 through December 31, 2016, to include the annual contract obligation of \$2,322,000, for a total maximum contract authority of \$27,799,000.

Approve and instruct the Interim CEO, or her designee, to execute and, if necessary, terminate for convenience, Amendment Three, substantially similar to Exhibit II, to extend Contract No. 67609 with CorVel, Contract No. 67610 with ACS, and Contract No. 67611 with Allied, for an additional twelve (12) months, beginning January 1, 2016 through December 31, 2016, to include the annual contract obligation for Workers' Compensation Medical Management Cost Containment Services of \$13,641,000, for a total maximum contract authority of \$94,480,000.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommendations for the aforementioned services will allow for the continuation of vital risk management activities for an additional year, as these services will expire on December 31, 2015. The extensions of the amendments listed above will permit no disruption in services, the completion of two highly complex Requests for Proposals (RFP), appropriate transition of hard-copy files, client notifications, client orientation to new locations, and systems integrations under the new Contracts that will come to the Board at a later date. The extensions for both risk management services contracts will be through December 31, 2016.

Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services:

An RFP was released on October 20, 2014, to solicit proposals from qualified and highly experienced Proposers, to replace the current contract. The RFP process was cancelled on February 4, 2015, to encourage more competition and ensure services are provided at the highest quality level, which is in the best interest of the County. A new RFP was released on March 25, 2015, with the intention of the solicitation process being completed before expiration. The new RFP release resulted in the receipt of an additional proposer. The RFP was strengthened to secure, and potentially obtain, the most accurate level of pricing from interested proposers for the requested services using the current staffing pattern and caseload trends. However, the extensions of the current contracts are needed to allow for the sufficient transition time of sixty (60) days to implement the contracts with the recommended proposers.

The transition process to the new Contracts will include the transfer of highly critical and time sensitive electronic case files to the new Contractor from the County's Risk Management Information System. Case files comprise of claims from five (5) County departments (Coroner, Fire, Health Services, Mental Health, Sheriff) receiving claims administration services. Sufficient transition time is needed to complete any required system interface and for the transfer of legal defense management for approximately 95 pending medical malpractice lawsuits against the County.

Workers' Compensation Medical and Disability Management and Cost Containment Services:

An RFP was released on February 4, 2015, with the intention of the solicitation process being completed before the expiration of the current contracts; however, the extensions are needed to allow for sufficient time to review all nine (9) proposals received, which will prolong the entire solicitation process by three (3) months. The initial evaluation meeting was held April 29, 2015. The final evaluation meeting is scheduled for August 12, 2015 due to the complexity of the evaluation method for the proposals, the large amount of proposals to be evaluated, and schedule conflicts between the evaluators.

Sufficient time is also needed to transition and implement the new Contracts with the recommended contractors. The new Contract transitions involve the completion of system interface and data

migration, which includes the data conversion of medical bill review history, in which the new Contracts will require at least the last seven (7) years of all County payment history data available from the three (3) current contractors. Implementation time is also needed for the new Contractors to negotiate and agree to terms with CEO Risk Management Branch regarding the selection and utilization of one (1) Pharmacy Benefit Management Network, (1) Medical Provider Network, and (1) Preferred Provider Organization Network. Contractor(s) will be required to incorporate negotiated network rates in their bill review systems. Additionally, contractors are required to start-up the necessary call centers for the 24-hour telephonic reporting of all claims and injuries.

Implementation of Strategic Plan Goals

The services provided under these current contracts support the County's Strategic Plan Goal One, Operational Effectiveness/Fiscal Sustainability, by providing vital risk management services through County departments, and for County Third Party Administrators to improve the effectiveness of Countywide risk management activities.

FISCAL IMPACT/FINANCING

Funding for the amendments to the medical malpractice, hospital liability claims administration and legal defense management services contract (Sedgwick) is included in the Fiscal Year 2015-16 Adopted Budget. In accordance with County policy, the contract contains a Cost-of-Living Adjustment (COLA) provision, whereby, the CEO may increase the contractor's compensation during the option year, capped at the lesser of the generated salary movement percentage for County employees as of July 1, 2015, or the Los Angeles-Riverside-Orange County Consumer Price Index for Urban Consumers (CPI-U) for 2014.

Funding for the amendments for the workers' compensation medical and disability management and cost containment services contracts (Corvel, ACS, Allied) will be paid from the Workers' Compensation Employee Operations budget. Funding has been included in the Fiscal Year 2015-16 Adopted Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services:

The County has contracted these services since 1975. After a formal solicitation, the Board approved the current contract in November 2006, effective January 1, 2007. The contract has been amended on several occasions and the latest amendment was executed on June 19, 2012, which allowed for the current contract extension through December 31, 2015.

Workers' Compensation Medical and Disability Management and Cost Containment Services:

In 1996, a contracted consulting firm recommended the County establish a comprehensive medical and disability management program that would integrate medical fee review services with preferred provider organization (PPO) networks, nurse case management, and 24-hour claim reporting. The County has since contracted for workers' compensation medical and disability management and cost containment services since 1998.

After a formal solicitation, the Board approved each of the current contracts in October 2008, effective January 1, 2009. The contracts have been amended for each of the two (2) one-year

extensions, and the latest amendment was executed on September 19, 2014, which allowed for the current contract extension through December 31, 2015.

County Counsel has reviewed and approved Exhibits I and II as to form; and concurs with these recommendations.

CONTRACTING PROCESS

The approval of these recommended extensions will allow for the completion of the two solicitations and transition to the new Contracts upon completion of the RFP process for the above referenced services. Effective date of new Contracts is January 1, 2017.

Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services:

On November 14, 2006, the Board approved Contract No. 75928 with Sedgwick, (formerly Octagon Risk Services) for the period of January 1, 2007 through December 31, 2008.

On December 4, 2007, the Board approved a subsequent extension for one (1) optional year renewal, for the period of January 1, 2008 through December 31, 2008.

On November 18, 2008, the Board approved subsequent extensions for the remaining three (3) optional year renewals, for the period of January 1, 2009 through December 31, 2011.

On December 30, 2009, under the Countywide Contract Extension and Reduction Initiative, Sedgwick agreed to reduce its fees by five percent (5%) in exchange for a guaranteed, two (2) year extension at the end of the initial contract term. The Contract was extended for two (2) additional extension years for the period of January 1, 2012 through December 31, 2013. On June 19, 2012, the Board approved an extension for an additional two (2) optional year renewals in exchange for a contract cost reduction of 20 percent (20%), for the period of January 1, 2014 through December 31, 2015.

Workers' Compensation Medical and Disability Management and Cost Containment Services:

On October 7, 2008, after a formal solicitation process, the Board approved Contract Nos. 67609, 67610, and 67611 with Corvel, ACS, and Allied, (respectively) for the period of January 1, 2009 through December 31, 2013.

The contracts were amended under delegated authority authorized by the Board, for one (1) additional optional year renewals. The initial renewal was for the period of January 1, 2014 through December 31, 2014, and the second renewal was for the period of January 1, 2015 through December 31, 2015.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the contract extensions will provide for the uninterrupted, State-mandated risk management services, completion of the solicitation process, and transition to the new Contracts.

The Honorable Board of Supervisors

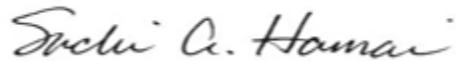
7/21/2015

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CONCLUSION

Upon approval by the Board, please return one adopted copy of the letter to the CEO Risk Management Branch, attention Steven T. Robles, County Risk Manager.

Respectfully submitted,



SACHI A. HAMAI

Interim Chief Executive Officer

SAH:JJ

STR

RLC:KSJ:TD:tv

Enclosures

c: Executive Officer, Board of Supervisors
Auditor-Controller
County Counsel

**COUNTY OF LOS ANGELES CHIEF EXECUTIVE OFFICE
MEDICAL MALPRACTICE, HOSPITAL LIABILITY CLAIMS ADMINISTRATION AND
LEGAL DEFENSE MANAGEMENT SERVICES CONTRACT NO. 75928**

AMENDMENT SEVEN

This Amendment Seven (the "Amendment") to the Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services Contract, Contract No. 75928 ("Contract"), is entered into as of this _____ day of _____, 2015 ("Effective Date") by and between the County of Los Angeles, a political subdivision of the State of California ("County") and Sedgwick Claims Management Services ("Contractor"), as amended by Amendment One on October 18, 2007; Amendment Two on December 4, 2007; Amendment Three on November 18, 2008; Amendment Four on December 30, 2009; Amendment Five on November 14, 2011 and Amendment Six on June 19, 2012:

Recitals

WHEREAS, on November 14, 2006, the County entered into the Contract with the Contractor (hereinafter collectively the "Parties") for Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services; and

WHEREAS, the County Board of Supervisors ("Board") approved the original term of the Contract for one (1) year, effective January 1, 2007 through December 31, 2007; and

WHEREAS, on December 30, 2009, the parties mutually agreed on Amendment Four to extend the term of the Contract by two (2) additional option renewal years past the original contract termination date in exchange for a reduction of five percent (5%) in annual costs in concurrence with the County's Contract Cost Reduction Initiative and to add County mandated provisions regarding the County's Defaulted Tax Reduction Program; and

NOW THEREFORE, in consideration of the mutual benefits derived therefrom, it is agreed between the Parties that the Contract be amended as follows:

1. This Amendment Seven shall commence and be effective on January 1, 2016.
2. **Contract Paragraph 4.1**, shall be deleted in its entirety and replaced with the following;

"4.1 The term of the Contract shall commence on January 1, 2007, and shall expire on December 31, 2016, unless sooner terminated, in whole or in part, as provided in this Contract."

3. **Contract Paragraph 8.53, Time Off for Voting**, shall be added as follows;

“8.53 Time Off for Voting

The Contractor shall notify its employees, and shall require each Sub-Contractor to notify and provide to its employees, information regarding the time off for voting law (Elections Code Section 14000). Not less than ten (10) days before every statewide election, every Contractor and Sub-Contractors shall keep posted conspicuously at the place of work, if practicable, or elsewhere where it can be seen as employees come or go to their place of work, a notice setting forth the provisions of Section 14000.”

4. **Contract Exhibit B.1, Pricing Schedule**, shall be added to current Exhibit B, Pricing Schedule. Any reference to Exhibit B shall be Exhibits B and B.1.

5. Except for the changes set forth hereinabove, the Contract shall not be changed in any respect by this Amendment Seven. All changes set forth in this Amendment shall only be effective on January 1, 2016 and have no retroactive effect.

COUNTY OF LOS ANGELES

SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.

Name: _____
STEVEN T. ROBLES

Name: _____

Title: Assistant Chief Executive Officer

Title: _____

Date: _____

Date: _____

APPROVED AS TO FORM:
MARY C. WICKHAM
Interim County Counsel

By: _____
Behnaz Tashakorian
Deputy County Counsel

**MEDICAL MALPRACTICE AND HOSPITALITY LIABILITY CLAIMS ADMINISTRATION
AND LEGAL DEFENSE MANAGEMENT SERVICES
CONTRACT NO. 75928**

**EXHIBIT B.1
PRICING SCHEDULE – YEAR 10**

| FIXED RATES | | | |
|--------------------|------------------------------|----------------------------|--------------------|
| Personnel Category | Title & Quantity | % Time Dedicated to County | Target Work Load |
| SERVICE PERSONNEL | | | |
| Management Staff | Program Manager – 1* | 100% | ≤ x Claims |
| | Claims Manager – 1 | 100% | ≤ x Claims |
| | Admin/Finance Mgr. – 1* | 100% | x Claims |
| Claims Staff | Claims Supervisors - 2 | 100% | < x Claims ea. |
| | Claims Specialists - 5 | 100% | < x Claims ea. |
| Clerical* Staff | Financial Specialist – 1 | 100% | x Claims |
| | Administrative Assistant - 3 | 100% | x Claims |
| Other Personnel | Medical-Legal Contractor -1 | Approx. 100% | x Claims |
| | Information Specialist – 1 | 100% | x Claims |
| | Outside Fin. Auditor – 1 | Minimal | x Claims |
| | Risk Mgt. Consultant - 1 | As Requested | x Days/Per Quarter |

| | |
|--|--------------------------|
| HOURLY RATE FOR HOURLY SERVICES | \$X/HR + Expenses |
|--|--------------------------|

| CONTRACT YEAR | ANNUAL RATE | MONTHLY COST |
|------------------------------|---|-------------------------------|
| YEAR 10 (1/1/16-12/31/16) | (CPI – U)(YEAR 9 COST)+YEAR 9 COST = YEAR 10 ANNUAL RATE | YEAR 10 ANNUAL RATE/12 Months |

*Pursuant to provision in Statement of Work, Section 12.0 et seq., these positions are not exclusively dedicated to the County.

Hourly rate applies to:

1. Ad hoc reports when County requests Sedgwick Claims Management Services to provide reports that cannot be generated from County’s RMIS, and are not required under Section 16.0.
2. Risk Management Consultation/Educational Services provided by or through Sedgwick Claims Management Services Risk Management Consultant. Expenses are in addition to the hourly rate.

**COUNTY OF LOS ANGELES CHIEF EXECUTIVE OFFICE
WORKERS' COMPENSATION MEDICAL AND DISABILITY MANAGEMENT AND COST
CONTAINMENT SERVICES CONTRACT NO. _____**

AMENDMENT THREE

This Amendment Three (the "Amendment") to the Workers' Compensation Medical And Disability Management And Cost Containment Services Contract, Contract No. _____ ("Contract"), is entered into as of this _____ day of _____, 2015 ("Effective Date") by and between the County of Los Angeles, a political subdivision of the State of California ("County") and _____ ("Contractor") as amended by Amendment One on January 1, 2014 and Amendment Two on September 19, 2014:

Recitals

WHEREAS, on October 7, 2008, the County entered into the Contract with the Contractor (hereinafter collectively the "Parties") for Workers' Compensation Medical And Disability Management And Cost Containment Services; and

WHEREAS, the County Board of Supervisors ("Board") approved the original term of the Contract for five (5) years, effective January 1, 2009 through December 31, 2013, with two (2) one-year option renewal years; and

NOW THEREFORE, in consideration of the mutual benefits derived therefrom, it is agreed between the Parties that the Contract be amended as follows:

1. This Amendment Three shall commence and be effective on January 1, 2016.
2. **Contract Paragraph 4.1**, shall be deleted in its entirety and replaced with the following:
 - 4.1 The term of the Contract shall commence on January 1, 2009, and shall expire on December 31, 2016, unless sooner terminated, in whole or in part, as provided in this Contract.
3. **Contract Paragraph 8.53, Time Off for Voting**, shall be added as follows;

"8.53 Time Off for Voting

The Contractor shall notify its employees, and shall require each Sub-Contractor to notify and provide to its employees, information regarding the time off for voting law (Elections Code Section 14000). Not less than ten (10) days before every statewide election, every Contractor and Sub-Contractors shall keep posted conspicuously at the place of work, if practicable, or elsewhere where it can be seen as employees come or go to their place of work, a notice setting forth the provisions of Section 14000."

- 4. **Contract Exhibit B.1, Pricing Schedule**, shall be added to current Exhibit B, Pricing Schedule. Any reference to Exhibit B shall be Exhibits B and B.1.
- 5. Except for the changes set forth hereinabove, the Contract shall not be changed in any respect by this Amendment Seven. All changes set forth in this Amendment shall only be effective on January 1, 2016 and have no retroactive effect.

COUNTY OF LOS ANGELES

CONTRACTOR

Name: _____
STEVEN T. ROBLES

Name: _____

Title: Assistant Chief Executive Officer

Title: _____

Date: _____

Date: _____

APPROVED AS TO FORM:
MARY C. WICKHAM
Interim County Counsel

By: _____
Behnaz Tashakorian
Deputy County Counsel

**WORKERS' COMPENSATION MEDICAL MANAGEMENT AND COST CONTAINMENT SERVICES
CONTRACT NO. _____**

**EXHIBIT B.1
PRICING SCHEDULE – YEAR 8**

| BILLING CATEGORY | YEAR 8 RATES |
|---------------------------------------|---------------------|
| 24 Hour Telephonic Reporting | \$x per claim |
| Telephonic Nurse Case Management | \$x per hour |
| Field Nurse Case Management | \$x per hour |
| Medical Bill Review | \$x per line |
| Hospital Bill Review | \$x per line |
| Inpatient Hospital Bill Review | %x of savings |
| Hospital Bill Audit | %x of savings |
| Negotiated Savings – Out of Network | %x of savings |
| MPN/PPO CorCare | %x of savings |
| UR Non Physician | \$x per referral |
| UR Physician Orthopedic Expert | \$x per referral |
| UR Physician Neurology Expert | \$x per referral |
| UR Physician Physical Medicine Expert | \$x per referral |
| UR Physician Chiropractic Expert | \$x per referral |
| UR Physician Psychiatry Expert | \$x per referral |
| UR Physician Psychology Expert | \$x per referral |
| UR Physician Internal Medicine Expert | \$x per referral |

Savings for calculating fees is defined as the lesser of OMFS to pay amount or billed amount to pay amount.

Per UR referral contemplates the entire cost of completing the UR referral objective (approving, modifying or denying treatment request). There will be no charge for resubmission from the provider for a lack of medical denial within 30 days of the lack of medical denial determination.